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Release of *The Fiscal Monitor*

Related document:

- *The Fiscal Monitor – March 2007*

The Honourable Jim Flaherty, Minister of Finance, today released *The Fiscal Monitor* for March 2007.

Highlights

March 2007: budgetary deficit of $0.4 billion

There was a budgetary deficit of $0.4 billion in March 2007, compared to a deficit of $1.0 billion reported in March 2006. Budgetary revenues rose $0.5 billion, or 2.7 per cent, as strong growth in corporate income tax revenues was partially offset by declines in personal income tax revenues and goods and services tax (GST) revenues. The drop in personal income tax revenues was due to the accrual of the costs of measures announced in Budget 2007. The drop in GST revenues resulted from the July 1, 2006, rate reduction. Program expenses increased by $0.2 billion, or 0.9 per cent, reflecting an increase in departmental operating expenses. Public debt charges decreased by $0.2 billion.

April 2006 to March 2007: budgetary surplus of $9.7 billion, after deducting the cost of budget measures

For the April 2006 to March 2007 period, the budgetary surplus is estimated at $13.7 billion, up from the $12.0-billion surplus posted in the same period of 2005–06. Budgetary revenues rose $11.0 billion, or 5.0 per cent, reflecting strong growth in income tax revenues. Program expenses were up $9.2 billion, or 5.2 per cent, due to both higher transfers and other program expenses. Public debt charges were up $0.1 billion.

The April 2006 to March 2007 monthly results are not the final results for the year as a whole. They do not yet reflect $4.0 billion in spending for 2006–07 announced in Budget 2007, including the Clean Air and Climate Change Trust Fund and the Patient Wait Times Guarantee Trust. The cost of these measures will be reflected in the supplementary period. Deducting the cost of these measures brings the April 2006 to March 2007 surplus to $9.7 billion, $500

million higher than the $9.2-billion surplus projected in Budget 2007. However, the year-to-date results do not yet reflect the regular end-of-year accrual adjustments, which include final tax accrual adjustments as well as estimates of the cost of liabilities incurred during the fiscal year but for which no payment has yet been made.

The March *Fiscal Monitor* presents a quarterly update of the 2006–07 surplus projection. The information through March is generally consistent with the $9.2-billion surplus projected in the budget. However, the final surplus for 2006–07 will only be known in September 2007.

The final surplus will be allocated to debt reduction, in keeping with the commitment of Canada's New Government to use the budgetary surplus to reduce the debt by at least $3 billion annually. Under the Tax Back Guarantee, the interest savings from federal debt reduction will be used to reduce personal income taxes, ensuring that Canadians benefit directly from reductions in the federal debt.

The Fiscal Monitor is a monthly document that provides highlights of the federal government's fiscal performance, including monthly revenues, expenses, the budgetary balance and the financial source/requirement.

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